



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
LANSING

ROBERT W. SWANSON  
ACTING DIRECTOR

### **Analysis of Senate Bill 318 (As Passed Senate)**

**Topic:** Minimum Wage Increase

**Sponsor:** Senator Basham

**Co-Sponsors:** Senators Schauer, Emerson, Brater, Prusi, Clark-Coleman, Clarke, Olshove, Jacobs, Leland, Bernero, Barcia, Cherry, Switalski, Thomas, and Scott

**Date Introduced:** March 17, 2005

**Date Enrolled:**

**Date of Analysis:** March 14, 2006

**Position:** The Department of Labor & Economic Growth supports the bill.

**Problem/Background:** The Michigan Minimum Wage and Overtime Law (PA154 of 1964) covers employers who are not subject to the Federal Fair Labor Standards Act, who employ 2 or more persons 16 years of age or older. It currently provides for a minimum wage rate of \$5.15 an hour that went into effect September 1, 1997. The U.S. Bureau of Labor Statistics estimates that around 90,000 Michigan workers earn at or below the current \$5.15 wage rate. About 432,000 Michigan workers earned less than \$7.44 per hour in November 2004.

**Description of Bill:** The bill would amend the Minimum Wage and Overtime Law of 1964 to provide for increases in the state's minimum hourly wage rate to \$6.95 beginning October 1, 2006; \$7.15 beginning July 1, 2007; and \$7.40 beginning July 1, 2008. The bill additionally provides that if the ballot proposal that establishes a minimum wage is approved by the voters during the November 7, 2006, general election, the minimum wage established in the ballot proposal shall supersede the language of this bill.

### **Summary of Arguments**

**Pro:** Some argue that a minimum wage rate increase is long overdue, as the last increase occurred nine years ago. It is also argued that many workers find it difficult, if not impossible, to cover daily living expenses on the current minimum wage rate. Some believe it is a matter of fairness in that anyone who puts in a fair days work should receive a fair days pay.

**Con:** Some argue that an increase in the minimum wage rate will result in businesses having to increase the costs of their products and/or services to cover the increase in the wage rate. It is also argued that an increase could mean the loss of jobs for some people because of the increased financial burden on businesses.

### **Fiscal/Economic Impact**

#### **(a) Department**

**Budgetary:** The bill substantially spans the scope of DLEG responsibility for enforcement of the minimum wage. While less than 5% of Michigan employers are currently covered by Michigan's minimum wage law (the great majority are covered by federal law), the impact of having a minimum wage greater than the federal rate will be to expand the scope of Michigan's enforcement to all employees and businesses. The Wage/Hour Division anticipates a significant increase in minimum wage related complaints. In effect, the state will be handling the minimum wage complaints currently handled by the United States Department of Labor. Based on the 12,500 minimum wage cases handled by the United States Department of Labor in 2005, Michigan can expect an increase of an estimated 500 cases. It is estimated that this increased workload will require the hiring of one new manager and three other positions.

**Revenue:** The bill will have no effect on department revenues.

**Comments:**

**(b) State** None.

**Budgetary:**

**Revenue:**

**Comments:**

**(c) Local Government** To the extent that local government employees work in jobs paying the minimum wage, increased local costs will result.

**Comments:**

**Other State Departments:** None.

**Any Other Pertinent Information:** There are several bills that have been introduced in the House and Senate that would increase the minimum wage rate (SB320, SB321, HB4046, HB4514, and HB4517). Currently, there are 17 states with a higher minimum wage rate of \$5.15. Supporters of the bill include Governor Granholm, Republican Governor Candidate Dick DeVos, Michigan Catholic Conference, and the AFL-CIO. Opponents of the bill include the Michigan Chamber of Commerce, Small Business Association of Michigan, and the National Federation of Independent Businesses. The Michigan Restaurant Association has historically opposed minimum wage increases, however, they recently indicated that if the rate is going to be raised it should be the Legislature and the Governor that does it, not through a constitutional amendment.

**Administrative Rules Impact:** None.